

PUBLIC BUILDING ANALYSIS

Planned improvements to the Eldridge wastewater treatment facilities (“Project”) as proposed in this Amendment would result in the construction of a public building. If the Project is ultimately approved by the City, the City intends to finance some of the cost through tax increment financing. For a portion of the Project costs, the City proposes to issue general obligation or revenue bonds and abate a part of the principal and interest payments from incremental tax revenues within the Area, if available. Specifically, under these circumstances, Iowa law requires an analysis of alternative development options and funding for the Project and reasons why such options would be less feasible than the use of incremental tax revenues for the Project.

Economic Development Potential:

The City believes that to further the commercial and industrial economic development potential of the City, as well as to retain existing businesses, the ability to comply with IDNR water quality standards is essential. The City’s existing lagoon facility was not designed for, and is not capable of, meeting the newly established ammonia and E. coli limitations as imposed by the IDNR. As a result, a compliance schedule has been issued by the IDNR and the City is being required to construct improvements necessary to comply with the new discharge limitations. Noncompliance with this directive would result in financial penalties being imposed on the City and a moratorium on future hook-ups to the wastewater system. The City’s ability to attract new business and industry would be seriously undermined.

Increased employment opportunities are a primary factor in sustaining the population of Eldridge. A vibrant and developing community, as well as increased employment opportunities in Eldridge, will benefit the North Scott Community School District and Scott County.

It is estimated that approximately 61% of the debt from the Project will be financed with funds from tax increment financing. The remaining debt service will be financed with a combination of property taxes from the debt service levy, LOST funds, and sewer system revenues.

Already high water/sewer rates make the City reluctant to rely exclusively on user fees to pay for the entire debt resulting from the Project. The City believes that its water and sewer rates are high relative to other Iowa communities, and that further increases in utility bills will adversely affect economic development potential.

Alternative Funding Options:

One alternative funding option for this Project is the issuance of general obligation or revenue bonds that would be paid only by the City’s debt service levy, Local Option Sales Tax funds or sewer system revenues (i.e., without using incremental tax revenues). This option would mean that only taxpayers of the City or sewer system users would be responsible for payment of the bonds/notes.

Grant programs available to fund infrastructure improvement projects are also a potential funding source for the City's wastewater plant. The City will be exploring these available grant programs to help with financing.

The use of TIF funds as a funding mechanism for a portion of the reconstruction of the wastewater treatment facility is appropriate when considering the additional treatment capacity that this Project will provide. The ability of the City's wastewater treatment plant to adequately serve future commercial and industrial users is an absolute essential component of the City's economic development recruitment efforts.

Issuing general obligation or revenue bonds that would be paid only with the City's debt levy, LOST funds or sewer system revenues is less feasible than the use of TIF funds because there would be no contribution of tax increment revenues from the school and County. Because the proposed urban renewal project will benefit County residents and school patrons, the use of tax increment is the most appropriate funding mechanism because it is fair for the School District and the County to share in the costs for the projects. The Project demonstrates regional benefit to both the County and School District.

For all of the aforementioned reasons, the use of TIF funds (either to support revenue bonds or abate general obligation debt) for a portion (approximately 61%) of the project costs is the most feasible, fair, and equitable mechanism for funding a portion of the Project described above.